
Role of construction sector for a growing economy

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It must be recognised that the initial shock, disbelief and despair of the Covid 19 pandemic engulfing almost all the segments in the country have gradually paved way for a perception that although there is no overnight solution to end the crisis.



Apart from the highly interdependent nature of this sector with a number of other segments of the economy, one unique feature of construction sector relates to its contribution to the growth of manufacturing.

end the crisis and we have to live with it for more months than thought initially, we can still look forward and prepare ourselves for a set of activities, not entirely different from those existing prior to the start of the crisis.

Last week, we discussed on the role of manufacturing in giving boost to Indian economy in the post covid scenario especially its significance with the call for Atmanirbhar Bharat. Another critical sector that accounts for an average share of 7.7% in GVA in the last five years is construction. It is presumed that construction activities involved in real estate, ownership of dwelling and professional services are already reflected in GVA of the construction sector.

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More than 50 million people are engaged in construction sector and the recent poignant issue of migrant labours' journey back to their native places under the lockdown period is a grim testimony to the insecurity and transient nature of the job market they have entered into. While exclusive construction activity comprises of real estate (residential building) and non-residential construction in commercial and industrial segments (industrial sheds, pre-fabricated buildings), the building of infrastructure assets that faces a massive deficit in India as a developing economy, the construction of these assets in roads (highways and bridges), railways, urban infrastructure, ports, shipping, civil aviation, coastal waterways, oil and gas (refineries, drilling and transportation) water transportation and sanitation, power projects, wind mills, power transmission, irrigation, space science, cellular operators etc also fall under the construction and Infrastructure sector which is to be considered as one

critical sector only.

the performance of the construction sector, the nature and growth of the sector has attained much significance.

Apart from the highly interdependent nature of this sector with a number of other segments of the economy, one unique feature of construction sector relates to its contribution to the growth of manufacturing. The construction in mining sector requires excavators, dumpers, cranes of high capacity, construction of roads requires crash barriers, hand rails, steel beams, fabricated steel profiles, construction of oil drilling requires casing pipes with a number of attachments, the construction of power plants needs large civil construction and also power vessels apart from electrical equipment, transformer, etc.

Thus, growth in construction is inextricably linked with growth in manufacturing of machinery and equipment, manufacturing of basic Metals, manufacturing of fabricated metals, manufacturing of electrical equipment.

The sector has grown by an average 5.2% in the last five years. However, it slipped to (-) 2.2% in Q4 of FY20 and then

decreased by a huge margin in Q1 of FY21 under the pandemic and following full impact of prolonged lockdown period.

Huge stimulus expenditures have been undertaken by the US, the EU, Japan, South Korea, Russia and the West Asia to rejuvenate the sagging economies under the pandemic. The building up of infrastructure in these economies has already spruced up the demand for steel and cement and also contributed to rise in employment and income generation which in turn has generated demand for domestic appliances.

construction permits, upgradation of construction practices by inducting new technologies, use of quality raw materials to attract foreign investment.

As construction of offsite fabricated structures are always preferred for better quality, less site congestion and noise free erection, it is necessary that fabrication set up at various locations in the country by MSMEs is adequately incentivised by the government to enhance the contribution of construction sector to national economy.

The author is former DG, Institute of Steel Development and Growth



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